



Arthur J. Gallagher & Co.
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Proposal to Provide Actuarial Consulting Services to the Government Finance Committee

DOUG ANDERSON | APRIL 23, 2014

Outline

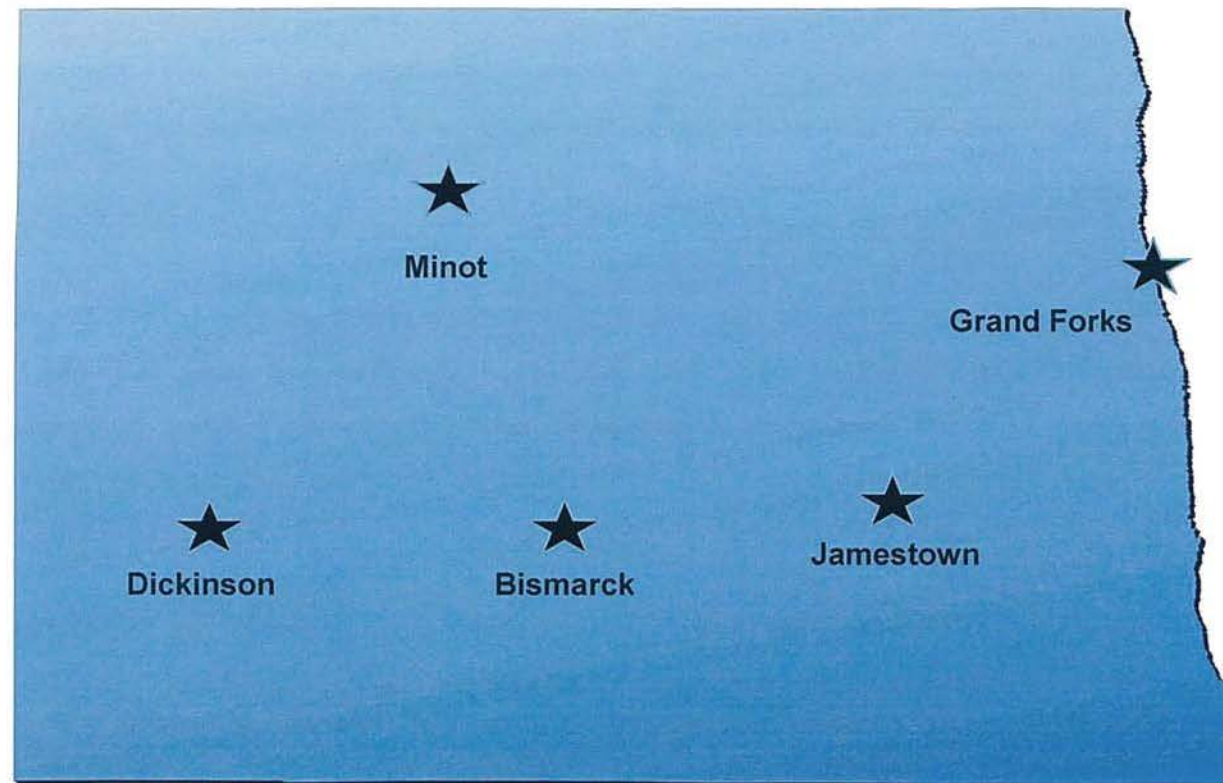
- Gallagher's North Dakota Experience
- Engagement Team Qualifications
- Proposed Services and Fees



SECTION 1

GALLAGHER'S NORTH DAKOTA EXPERIENCE

Gallagher's North Dakota Experience



Gallagher's North Dakota Experience

Client	Description of Services	Gallagher's Tenure	Lead Actuary Tenure
City of Bismarck	<ul style="list-style-type: none"> • Annual Actuarial Valuations • Experience Studies covering 1998-2011 	32 Years	16 Years
City of Minot	<ul style="list-style-type: none"> • Annual Actuarial Valuations • Consultant during decision to close DB plan and implement DC plan for new hires • Experience Studies covering 1998-2011 	32 Years	16 Years
City of Jamestown	<ul style="list-style-type: none"> • Annual Actuarial Valuations • Consultant during 2008 decision to close DB plan to new hires and allow current employees to transfer to NDPERS 	26 Years	16 Years
City of Dickinson	<ul style="list-style-type: none"> • Actuarial Audit in 2010 • Annual Actuarial Valuations for closed plans 	4 Years	4 Years
City of Grand Forks	<ul style="list-style-type: none"> • Actuarial Audit in 2005 • Consultant during 2007 decision to close DC plan and allow current employees to transfer to NDPERS 	9 Years (non-recurring)	27 Years (non-recurring)
City of Grand Forks Park District	<ul style="list-style-type: none"> • Annual Actuarial Valuations • Consultant during 2009 decision to close plan to new hires and allow current employees to transfer to NDPERS 	37 Years	16 Years

Arthur J. Gallagher & Co.

What We're About

- Founded in 1927
- 15,000+ employees
- Operations in 24 countries and client service capabilities in more than 140
- One of the world's largest insurance brokerages



Benefits & Human Resources Division

- 2,100 employees
- Over 150 offices

Our Benefits & Human Resources Solutions



Executive Benefits



Health & Welfare



Healthcare
Analytics



Human Resources
& Compensation



Institutional
Investment &
Fiduciary Services



Multinational
Benefits & HR



Retirement Plan



Voluntary Benefits

Our Industry Practices



Energy



Equity Advisors



Healthcare



Higher Education



Hospitality &
Restaurant



Public Sector



Religious &
Nonprofit

Gallagher Named as a 2014 World's Most Ethical Company®

Business with integrity & strong ethical values

- Ethisphere recognizes organizations that continue to raise the bar on ethical leadership and corporate behavior
- Third year in a row that Gallagher has been honored with this award



"Arthur J. Gallagher & Co. joins an exclusive community committed to driving performance through leading business practices."

– Timothy Erblich, Ethisphere
Chief Executive Officer



SECTION 2

ENGAGEMENT TEAM QUALIFICATIONS

Gallagher Engagement Team

Name	Title/Role	Years of Experience	Billing Rate
Doug Anderson ASA, EA, MAAA	Actuarial Lead Consultant – Primary Contact Strategic leadership of entire project, management of project, delivery of results	27	\$250
Bruce Johnson EA, MAAA	Professional Standards Review Ensures quality of final product and adherence to Actuarial Professional Standards of Practice	20	\$250
Ben Holle EA	Actuarial Manager Responsible for the completion of work tasks	8	\$220
Anthony Pluth	Actuarial Analyst Assists with completion of work product and has primary responsibility for data management and programming	3	\$180

National Actuarial Audit Experience

Client	Description of Services	Audit Findings
City of Fort Worth, Texas	Reviewed <i>The Segal Company's</i> actuarial valuation report, experience studies, assumption selection, and contribution projections.	<ol style="list-style-type: none"> 1. Validated calculations 2. Sought and obtained clarification of support for assumption selections 3. Identified data issue
Twelve (12) Different Texas Cities participating in Texas Municipal Retirement System (TMRS)	Reviewed <i>The Segal Company's</i> actuarial valuation results. Projected future contribution requirements. Analyzed plan design options.	<ol style="list-style-type: none"> 1. Validated calculations 2. Challenged actuarial cost methods adopted by TMRS
Cities of Kingsport and Johnson City Tennessee	Reviewed Tennessee Consolidated Retirement Systems (TCRS) actuarial valuation results, forecasted future contributions, and educated cities on future cost expectations and the impact of a change to a DC plan.	<ol style="list-style-type: none"> 1. Validated calculations 2. Reviewed assumptions



SECTION 3

PROPOSED SERVICES AND FEES

Proposed Services and Fees

	Task	Fee
Required Audit Services	<p>Provide a separate and independent review of the five sets of projections prepared by the Segal Company and summarized in their March 6, 2014 letter to NDPERS. Steps including, but not necessarily limited to the following items:</p> <ol style="list-style-type: none"> 1. Obtain participant data as used for the July 1, 2013 valuation from The Segal Company. 2. Load participant data and program existing benefit provisions and assumptions in actuarial software program. 3. Attempt to match July 1, 2013 actuarial valuation results and reconcile differences with The Segal Company. 4. Review the appropriateness of the actuarial assumptions used by The Segal Company and provide recommendations for changes, if any. 5. Prepare cost projections for five scenarios as outlined in request for proposal and restated on page 8 of our proposal. 6. Prepare additional cost projections to reflect recommended assumption changes, if any. 7. Attempt to reconcile or understand differences from The Segal Company's results. 8. Prepare a final report with findings and recommendations and present results to the government finance committee prior to September 1, 2014. 	<p>\$27,500 Fixed Fee. Includes travel expenses</p>

Proposed Services and Fees (continued)

	Task	Fee
Optional “Add On” for Complete Independent Valuation	<p>Our proposal is based on the approach of providing a complete independent valuation based on The Segal Company’s processed data. The Submitted Consulting Actuary RFP Q&A indicated the proposal may be submitted on the basis of using some of Segal’s valuation output in lieu of an independent valuation.</p> <p>Our experience auditing both Segal’s and other actuaries work is that it is both more cost efficient and more beneficial to the client to perform the independent valuation rather than rely on selected outputs. The cost for the independent valuation is lower than the cost to rely on limited information. As a result, we propose no “add-on” cost for the independent valuation.</p> <p>Furthermore, Gallagher would not be comfortable providing results to the Government Finance Committee without having performed a detailed independent audit.</p>	No additional cost for independent valuation
Optional “Add On” for Use of Raw Census Data	<p>Our proposal is based on the approach of providing a complete independent valuation based on The Segal Company’s processed data.</p> <p>We also recommend receiving and reviewing the raw census data. The reason for this recommendation is based on prior audit experience indicating a significant error is possible in transmittal and/or handling of the participant data. Our proposed services would include comparing a series of control totals to ensure that valuation processed data is consistent with the data provided to the actuary by the System.</p>	\$5,000 optional fee

Work Plan Management

		Week									
Task	Party	1	2	3	4	5	6	7	8	9	10
Conference call with the Government Finance Committee (the “Committee”) representatives to introduce key consultants and review specific objectives.	Gallagher & Committee										
Provide an agreement in writing to maintain the confidentiality of any nonpublic information provided by the NDPERS for the audit.	Gallagher										
Request participant data provided by NDPERS to The Segal Company and the data used by The Segal Company for the actuarial valuation	Gallagher										
Provide requested participant data	NDPERS & Segal										
Load participant data and program plan provisions using current actuarial assumptions in an attempt to match Segal’s results.	Gallagher										
Reconcile differences in results with The Segal Company	Gallagher & Segal										
Summarize differences in results from The Segal Company	Gallagher										
Complete review of economic and demographic assumptions	Gallagher										
Calculate projections for requested scenarios	Gallagher										
Reconcile projections with The Segal Company	Gallagher										
Provide a preliminary draft report to the Committee	Gallagher										
Presentation of preliminary draft report to the Committee	Gallagher										
Submit a final report	Gallagher										
Presentation of final report	Gallagher										



CONCLUSION

Conclusion

- Gallagher's North Dakota Experience
 - Currently actuary for 4 cities in North Dakota
 - Consulted during transitions by Grand Forks, Grand Forks Park District, Jamestown, and Minot
 - Experience with NDPERS plan provisions
- Engagement Team Qualifications
 - Lead actuary has 27 years actuarial experience in North Dakota
 - Wide variety of skills and experience for an efficient process
- Proposed Services and Fees
 - Competitive hourly rates
 - Independent, objective, & motivated to provide value



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Thank You

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